

**KINGSTON COMMUNITY SCHOOLS**

Kingston, Michigan

**REPORT ON FINANCIAL STATEMENTS**

(with required supplementary and  
additional information)

June 30, 2007

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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July 25, 2007

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Kingston Community Schools  
Kingston, Michigan 48741

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Kingston Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools as of June 30, 2007 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2007, on our consideration of the Kingston Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through vi and page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Kingston Community Schools  
July 25, 2007

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Kingston Community Schools' basic financial statements. The additional information on pages 23 to 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

# **Kingston Community Schools**

## **Management's Discussion and Analysis**

### **For Fiscal Year Ended June 30, 2007**

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Kingston Community School District, a K-12 school district located in Tuscola County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Kingston Community School District administration's discussion and analysis of the financial results for the fiscal years ended June 30, 2007 and June 30, 2006.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

#### **Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long – Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds and Debt Service Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Kingston Community School**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2007**

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**Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30, 2007 and 2006:

<b>Assets</b>	<b><u>6/30/07</u></b>	<b><u>6/30/06</u></b>
Current assets	\$ 2,435,208	\$ 2,172,568
Capital assets	12,765,953	12,792,718
Less: Accumulated depreciation	<u>(5,354,947)</u>	<u>(5,081,127)</u>
Capital assets, net book value	7,411,006	7,711,596
Total assets	<b><u>\$ 9,846,214</u></b>	<b><u>\$ 9,884,164</u></b>
<b>Liabilities</b>		
Current liabilities	\$ 1,421,820	\$ 1,208,076
Long-term liabilities	<u>6,762,218</u>	<u>6,976,054</u>
Total liabilities	8,184,038	8,184,130
<b>Net Assets</b>		
Invested in capital assets, net of related debt	475,968	581,640
Restricted for debt service	315,526	261,634
Restricted for Woloshen	133,948	144,198
Unrestricted	<u>736,734</u>	<u>712,562</u>
Total net assets	1,662,176	1,700,034
Total liabilities and net assets	<b><u>\$ 9,846,214</u></b>	<b><u>\$ 9,884,164</u></b>

**Analysis of Financial Position**

During the fiscal year ended June 30, 2007, the District's net assets decreased by \$37,858. A few of the more significant factors affecting net assets during the year are discussed below.

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal years ended June 30, 2007 and June 30, 2006, \$360,990 and \$424,327 were recorded for depreciation expense.

**Kingston Community School**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2007**

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**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2007, \$60,400 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$300,590 for the fiscal year ended June 30, 2007.

**Results of Operations**

For the fiscal year ended June 30, 2007 and 2006, the results of operations, on a District-wide basis, were:

	<u>Year Ended June 30,</u> <u>2007</u>		<u>Year Ended June, 30,</u> <u>2006</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<b>General Revenues</b>				
Property Taxes	\$ 754,886	12.49%	\$ 736,082	12.30%
Investment earnings	62,525	1.03%	36,807	0.61%
State sources	4,593,390	76.01%	4,486,863	74.96%
Other	<u>138,221</u>	<u>2.29%</u>	<u>165,885</u>	<u>2.77%</u>
Total general revenues	5,549,022	91.82%	5,425,637	90.64%
<b>Program Revenues</b>				
Charges for services	180,679	2.99%	204,132	3.41%
Operating grants	<u>313,761</u>	<u>5.19%</u>	<u>355,850</u>	<u>5.95%</u>
Total revenues	\$6,043,462	100.00%	\$5,985,619	100.00%
<b>Expenses</b>				
Instruction	\$3,246,329	53.38%	\$3,331,876	52.86%
Support services	1,723,944	28.35%	1,777,059	28.19%
Food services	240,212	3.95%	243,951	3.87%
Athletics	128,987	2.12%	141,582	2.25%
Interest on long-term debt	260,487	4.28%	274,173	4.35%
Unallocated depreciation expense	360,990	5.94%	424,327	6.73%
Other	<u>120,371</u>	<u>1.98%</u>	<u>109,984</u>	<u>1.75%</u>
Total expenses	<u>\$6,081,320</u>	<u>100.00%</u>	<u>\$ 6,302,952</u>	<u>100.00%</u>
Increase in net assets	\$(37,858)		\$ (317,333)	

**Kingston Community School**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2007

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**Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levied 17.0432 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2006-2007 fiscal year, the district levied \$260,797 non-homestead property taxes. This represented an increase of \$6,783 from the prior year. The amount of unpaid property taxes at June 30, 2007, less an estimate for those deemed to be un-collectible, was \$2,800.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	Increase (Decrease) from prior year
2006 – 2007	\$260,797	\$ 6,783
2005 – 2006	254,014	5,349
2004 – 2005	248,665	15,652
2003 – 2004	233,013	9,425
2002 – 2003	223,588	

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2006 – 2007 fiscal year, the District's foundation allowance was \$7,085 per student FTE, which represented an increase of 3.05 % over the amount received for the 2005 – 2006 fiscal year.

**3. Student Enrollment**

The following schedule lists the actual blended student FTE for the past five fiscal years:

	Actual Blended Student FTE
2006 – 2007	654
2005 – 2006	649
2004 – 2005	668
2003 – 2004	663
2002 – 2003	758



# Kingston Community School

## Management's Discussion and Analysis

### For Fiscal Year Ended June 30, 2007

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#### 4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2007, federal, state and other operating grants accounted for \$313,761. This represents a decrease of \$42,089 over the total grant sources received for the 2006 – 2007 fiscal year.

#### 5. Interest Earnings

The District received interest on its investments in the amount of \$62,525 for the fiscal year ended June 30, 2007. This represents an increase over the prior fiscal year of \$25,718.

#### General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1<sup>st</sup>. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30<sup>th</sup>.

For the 2006 – 2007 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2007. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget positive (negative)	% Variance
Total revenues	<u>\$ 5,215,180</u>	<u>\$ 5,233,982</u>	<u>\$ 5,259,814</u>	<u>\$ 25,832</u>	<u>0.49%</u>
Expenditures					
Instruction	\$ 3,145,767	\$ 3,209,925	\$ 3,244,114	(\$ 34,189)	(1.07)%
Supporting services	1,896,082	1,824,530	1,783,395	41,135	2.25%
Other	<u>268,312</u>	<u>249,298</u>	<u>248,265</u>	<u>1,033</u>	<u>0.41%</u>
Total expenditures	<u>\$ 5,310,161</u>	<u>\$ 5,283,753</u>	<u>\$ 5,275,774</u>	<u>\$ 7,979</u>	<u>0.15%</u>

#### Capital Asset and Debt Administration

##### Capital Assets

By the end of the 2006 – 2007 fiscal year, the district had invested \$12,765,953 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a decrease of \$26,765 over the prior fiscal year. Net depreciation expense for the year amounted to \$273,825, bringing the accumulation to \$5,354,947 as of June 30, 2007.

# **Kingston Community School**

## **Management's Discussion and Analysis**

### **For Fiscal Year Ended June 30, 2007**

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#### **Long- term Debt**

At June 30, 2007, the District had \$7,039,618 in long-term debt outstanding. This represents a reduction of \$191,754 over the amount outstanding at the close of the prior fiscal year.

#### **Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2007 – 2008 fiscal year. The early indication is that the foundation allowance for 2007 – 2008 will remain uncertain well into the fiscal year which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, the State has increased the retirement rate from 16.34% to 17.74% through September 30, 2007 to fund the retirement system. The increase in the number of retirees projected to occur over the next few years may result in higher annual increases.
- The contract with the Kingston Community Schools Education Association, the union that represents the teaching staff, expires August 31, 2009.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

Joseph Murphy, Superintendent  
Kingston Community Schools  
5790 State St.  
Kingston, MI 48741  
(989) 683-2294

## BASIC FINANCIAL STATEMENTS

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2007

	<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
<b>CURRENT ASSETS:</b>		
Cash and equivalents		\$ 265,331
Investments		1,351,551
Due from other governmental units		815,526
Property taxes receivable		2,800
<b>TOTAL CURRENT ASSETS</b>		<u>2,435,208</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets		12,765,953
Less accumulated depreciation		<u>(5,354,947)</u>
<b>TOTAL NONCURRENT ASSETS</b>		<u>7,411,006</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 9,846,214</u></u>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>		
Accounts payable		\$ 44,650
Accrued salaries and wages		351,639
Accrued employee benefits		127,190
Deferred Revenue		-
State aid note payable		550,000
Accrued interest payable		70,941
Bus Notes Payable		12,400
Current portion of long term debt		<u>265,000</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,421,820</u>
<b>NONCURRENT LIABILITIES:</b>		
Bonds Payable		6,657,638
Compensated absences		<u>104,580</u>
<b>TOTAL NONCURRENT LIABILITIES</b>		<u>6,762,218</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt		475,968
Restricted for debt service		315,526
Restricted for Woloshen		133,948
Unrestricted		<u>736,734</u>
<b>TOTAL NET ASSETS</b>		<u>1,662,176</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 9,846,214</u></u>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,246,329	\$ 48,738	\$ 109,220	\$ (3,088,371)
Support services	1,723,944	20,888	46,809	(1,656,248)
Community service	76,117			(76,117)
Food services	240,212	83,931	157,732	1,451
Athletics	128,987	27,123		(101,864)
Public Library	26,502			(26,502)
Woloshen	17,011			(17,011)
Interest on long-term debt	260,487			(260,487)
Other	741			(741)
Unallocated depreciation	360,990			(360,990)
Total governmental activities	<u>\$ 6,081,320</u>	<u>\$ 180,679</u>	<u>\$ 313,761</u>	<u>(5,586,880)</u>
General revenues:				
Property taxes, levied for general purposes				260,797
Property taxes, levied for debt service				494,089
State of Michigan school aid unrestricted				4,593,390
Investment revenue				62,525
Penal fines				33,001
Miscellaneous				103,420
Sale of fixed assets				1,800
Total general revenue				<u>5,549,022</u>
Change in net assets				(37,858)
Net assets, beginning of year				<u>1,700,034</u>
Net assets, end of year				<u>\$ 1,662,176</u>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2007

	<b>GENERAL FUND</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS:</b>			
Cash and equivalents	\$ 146,129	\$ 119,202	\$ 265,331
Investments	870,720	480,831	1,351,551
Due from other governmental units	813,949	1,577	815,526
Due from other funds		2,019	2,019
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,830,798</u></b>	<b><u>\$ 603,629</u></b>	<b><u>\$ 2,434,427</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 43,282	\$ 1,368	\$ 44,650
Salaries payable	351,639		351,639
Accrued employee benefits	127,190		127,190
Accrued interest	21,921		21,921
Due to other funds	2,019		2,019
Deferred revenue	-		-
State aid note payable	550,000		550,000
<b><u>TOTAL LIABILITIES</u></b>	<b><u>1,096,051</u></b>	<b><u>1,368</u></b>	<b><u>1,097,419</u></b>
<b>FUND BALANCE:</b>			
Reserved for debt service		386,467	386,467
Undesignated and unreserved	630,167	215,794	845,961
Designated for compensated absences	104,580		104,580
<b><u>TOTAL FUND BALANCE</u></b>	<b><u>734,747</u></b>	<b><u>602,261</u></b>	<b><u>1,337,008</u></b>
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 1,830,798</u></b>	<b><u>\$ 603,629</u></b>	<b><u>\$ 2,434,427</u></b>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets  
June 30, 2007

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 1,337,008</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is:	12,765,953
Accumulated depreciation is:	(5,354,947)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable:	(6,874,638)
Bus notes payable	(60,400)
Compensated absences:	(104,580)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid:	(49,020)

Balance of taxes receivable at 6/30/07 less allowance for doubtful accounts	<u>2,800</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 1,662,176</u></u></b>
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The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	<b>GENERAL FUND</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES:</b>			
Local sources	\$ 466,071	\$ 664,814	\$ 1,130,885
State sources	4,571,888	21,502	4,593,390
Federal sources	156,029	157,732	313,761
<b>TOTAL REVENUES</b>	<b>5,193,988</b>	<b>844,048</b>	<b>6,038,036</b>
<b>EXPENDITURES:</b>			
Instruction	3,244,114		3,244,114
Supporting services	1,783,395		1,783,395
Community services	76,117		76,117
Food Service		240,212	240,212
Athletic Activities		128,987	128,987
Public Library		26,502	26,502
Woloshen		17,011	17,011
Debt services:			
Retirement of bonds		245,000	245,000
Interest on debt	468	260,289	260,757
Fees		741	741
<b>TOTAL EXPENDITURES</b>	<b>5,104,094</b>	<b>918,742</b>	<b>6,022,836</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>89,894</b>	<b>(74,694)</b>	<b>15,200</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer to/from other funds	(161,362)	161,362	-
Principal on bus loan	(10,318)		(10,318)
Bus loan proceeds	60,400		60,400
Sale of fixed assets	1,800		1,800
Payments from ISD	3,626		3,626
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(105,854)</b>	<b>161,362</b>	<b>55,508</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<b>(15,960)</b>	<b>86,668</b>	<b>70,708</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>750,707</b>	<b>515,593</b>	<b>1,266,300</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 734,747</b>	<b>\$ 602,261</b>	<b>\$ 1,337,008</b>

The accompanying notes are an integral part of the financial statements.



**KINGSTON COMMUNITY SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**June 30, 2007**

<b>Total net change in fund balances--governmental funds</b>	<b>\$ 70,708</b>
--	------------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(360,990)
Capital outlay	60,400

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

Repayment of bond principal	245,000
-----------------------------	---------

Bus note repayments and proceeds affect long term liabilities in the statement of net assets and does not affect the statement of activities.

Repayment of bus note principal	10,318
Bus loan proceeds	(60,400)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

Accrued interest payable at the beginning of the year	49,290
Accrued interest payable at the end of the year	(49,020)

Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.

Accrued absences at the beginning of the year	101,416
Accrued absences at the end of the year	(104,580)

<b>Change in net assets of governmental activities</b>	<b>\$ (37,858)</b>
--	--------------------

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2007

	<u>AGENCY FUNDS</u>
<b><u>ASSETS</u></b>	
Cash	\$ 52,980
<b>TOTAL ASSETS</b>	<b><u>\$ 52,980</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>	
Due to student organizations	\$ 52,980
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 52,980</u></b>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The basic financial statements of the Kingston Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

In 2004, the District implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow user's of financial reports to access a government's operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

**REPORTING ENTITY:**

The Kingston Community Schools (the "District") is governed by the Kingston Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. Also, based on the same criteria, there are no potential component units of government which are required to be included in the reporting entity for Kingston Community Schools.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):**

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**GOVERNMENTAL FUNDS**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**OTHER NON-MAJOR FUNDS**

The special *revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, library, athletic activities, and the Woloshen account in the special revenue funds.

*Fiduciary funds* account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

The *debt service fund* accounts for the receipt of debt proceeds and that acquisition of fixed assets or construction of major capital projects.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method:**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method:**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Foundation Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007 the foundation allowance was based on the pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2006 - August 2007. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units.

**State Categorical Revenue:**

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):**

**State Categorical Revenue, (Continued):**

For the year ended June 30, 2007 \$87,534 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by MDE.

**Federal Revenue:**

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

**OTHER ACCOUNTING POLICIES**

**Cash and Cash equivalents:**

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**Short-term Interfund Receivables/Payables:**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**Property Taxes:**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual date is February 15, after which time the bill becomes delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<b><u>FUND</u></b>	<b><u>MILLS</u></b>
General Fund – Non Homestead	17.0432
Debt Service Funds	6.2500

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion on interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**Capital Assets:**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$3,000. Group purchases are evaluated on a case-by-case basis.

**Compensated Absences:**

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirement.

**Unemployment Insurance:**

The District reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amounts paid by the MESA through June 30, are accrued, if material.

**Long-term obligations:**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**Use of Estimates:**

The process of preparing general purpose financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the State law the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Board of Education requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general, special revenue, and debt service funds. These budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP).
5. Appropriations lapse at the end of each fiscal year.
6. The Board of Education may authorize supplemental appropriations during the year. The Board of Education authorized budget amendments during the fiscal year at their regular scheduled board meetings.
7. The general fund exceeded their budgeted expenditures in the Instruction line item by \$34,189. This is a violation of the PA 621 budget act.



**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:**

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

As of June 30, 2007, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
MILAF External pool - MICMS	\$ 118,538	0.0027	AAAm	8.08%
MILAF External pool - MIMAX	870,937	0.0027	AAAm	66.84%
MILAF + Term C	130,000	0.0164	A1+	11.65%
Guaranteed Investment Contract (GIC)	232,076	7.0000	A1+	13.43%
Total fair value	<u>\$ 1,351,551</u>			100.0%
Portfolio weighted average maturity		<u>0.9440</u>		

1 day maturity equals 0.0027, one year equals 1.00

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2007, the carrying amount of the District's deposits was \$318,311 and the bank balance was \$329,327. Of the bank balance, \$100,000 was covered by federal deposit insurance while the remaining bank balance of \$229,327 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (Continued):**

**Custodial credit risk – investments, (Continued).** The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the Note Payable Disclosed in Note 7.

The Investment Agreement, dated as of November 1, 2002, by and among Bank of New York Trust Company, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia Bank, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 2.60% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia Bank, as guarantor of the Provider's obligations under this Investment Agreement.

**Foreign currency risk.** The District is not authorized to invest in investments that have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$52,980	\$ 318,311
Investments	<u>1,351,551</u>
	<u>\$ 1,669,862</u>

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 265,331
Fiduciary Funds	52,980
Investments - District wide	<u>1,351,551</u>
	<u>\$ 1,669,862</u>

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 4 –DUE FROM OTHER GOVERNMENTAL UNITS:**

Receivables at June 30, 2007 consist of the following:

State Aid	\$774,027
Title I	15,568
Tuscola ISD	25,130
Saginaw ISD	<u>801</u>
Total	<u>\$815,526</u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

**NOTE 5 –CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
Capital assets:				
Land	\$ 28,200			\$ 28,200
Building and Improvements	11,104,786	\$ 60,400	\$(87,165)	11,078,021
Furniture and equipment	<u>1,659,732</u>	<u>          </u>	<u>          </u>	<u>1,659,732</u>
Total Capital Assets	12,792,718	60,400	(87,165)	12,765,953
Accumulated depreciation:				
Building and Improvements	(3,788,991)	\$(239,902)		(4,028,893)
Furniture and equipment	<u>(1,292,131)</u>	<u>(121,088)</u>	<u>87,165</u>	<u>(1,326,054)</u>
Total Accumulated depreciation:	<u>(5,081,122)</u>	<u>(360,990)</u>	<u>87,165</u>	<u>(5,354,947)</u>
Net capital assets	<u>\$ 7,711,596</u>	<u>\$(300,590)</u>	<u>None</u>	<u>\$ 7,411,006</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$360,990.

**NOTE 6- DEFERRED REVENUE:**

There was no deferred revenue at June 30, 2007.

**KINGSTON COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2007**

**NOTE 7- LONG TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2005 general obligation refunding bonds due in annual installments of \$25,000 to \$170,000 through May 1, 2018 with interest at 3.0% to 3.9%.	\$1,690,000
2002 general obligation refunding bonds due in annual installments of \$40,000 to \$75,000 through May 1, 2018 with interest at 4.00% to 5.00%	555,000
2002E general obligation bonds due in annual installments of \$50,000 to \$275,000 through May 1, 2028 with interest at 3.00% to 4.85%	3,685,000
Qualified zone academy bonds – 15 annual payments of \$55,362 from November 1, 2003 through 2017 will be paid into a bank escrow account with the entire principal amount due November 1, 2017.	<u>944,638</u>
Total general obligation bonds	6,874,638
\$60,400 October 6, 2006, bus contract due in five annual principal installments of \$12,400 on November 1, 2007 and \$12,000 on November 1, 2008 through 2011. Interest at 4.44%	60,400
Obligation under contract for compensated absences	<u>104,580</u>
Total long-term debt	<u>\$7,039,618</u>

During the year ended June 30, 2005 the District refinanced the 1996 bonds. New general obligation bonds were issued at a premium of \$27,625 after paying issuance costs of \$59,664, the net proceeds were \$1,787,961. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid off on May 1, 2018. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$200,923.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 7- LONG TERM DEBT (Continued)**

The annual requirements to amortize the long-term obligations as of June 30, 2007 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 277,400	\$ 254,821	\$ 532,221
2009	287,000	245,294	532,294
2010	297,000	235,367	532,367
2011	312,000	224,818	536,818
2012	322,000	212,543	534,543
2013 - 2017	1,755,000	860,488	2,615,488
2018 - 2022	2,159,638	517,230	2,676,868
2023 - 2027	1,250,000	251,432	1,501,432
2028	<u>275,000</u>	<u>13,338</u>	<u>288,338</u>
	<u>\$6,935,038</u>	<u>\$2,815,331</u>	9,750,369
Obligation under contract for compensated absences			<u>104,580</u>
Total long-term debt and interest			<u>\$9,854,949</u>

An amount of \$386,467 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2007 was \$260,757.

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Due within one year</u>
General					
Obligation bond	\$7,119,638	-	\$245,000	\$6,874,638	\$265,000
Compensated					
Absences	101,416	\$ 3,164		104,580	10,458
Bus Contracts	<u>10,318</u>	<u>60,400</u>	<u>10,318</u>	<u>60,400</u>	<u>12,400</u>
Totals	<u>\$7,231,372</u>	<u>\$63,564</u>	<u>\$255,318</u>	<u>\$7,039,618</u>	<u>\$287,858</u>

**KINGSTON COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2007**

**NOTE 8 –EMPLOYEE RETIREMENT SYSTEM- DEFINED BENEFIT PLAN**

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2006 was 16.34% through September 2006 and 17.74% for October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2007, 2006, and 2005, were \$500,926, \$504,661, and \$461,151, respectively, and were equal to the required contribution for the year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

**KINGSTON COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2007**

**NOTE 9 - RISK MANAGEMENT:**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the state of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

**Health Reimbursement Arrangement**

Effective March 1, 2007, the School adopted a Health Reimbursement Arrangement that covers all full-time (40 hours per week) employees who are covered by the Schools group medical plan. The HRA reimburses covered employees for deductibles under the Schools group medical plan. Reimbursement limits are \$1,250 for a single person and \$2,500 for a two-party/family per year and unused amounts are forfeited. Claims for reimbursement may be submitted up to 90 days after the end of the coverage period.

**NOTE 10 – TRANSFERS:**

The transfers between funds for the fiscal year ended June 30, 2007 for operations were as follows:

	<u>TO</u>	<u>FROM</u>
General Fund		\$161,362
Athletic Fund	\$106,000	
QZAB Bond Fund	<u>55,362</u>	<u>-</u>
	<u>\$161,362</u>	<u>\$161,362</u>

**NOTE 11 – DUE TO AND FROM OTHER FUNDS:**

Due to and from other funds balances at June 30, 2007 are as follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund		\$2,019
Special Revenue Fund:		
Hot Lunch	\$2,019	<u>-</u>
Total	<u>\$2,019</u>	<u>\$2,019</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 12 – NOTE PAYABLE**

At June 30, 2007 the District has a note payable outstanding of \$550,000. The note matures August 21, 2007. The note is secured by the full faith and credit of the District as well as pledged state aid.

<b>Balance</b>			<b>Balance</b>
<b>June 30, 2006</b>	<b>Additions</b>	<b>Payments</b>	<b>June 30, 2007</b>
<u>\$ 450,000</u>	<u>\$ 550,000</u>	<u>\$ 450,000</u>	<u>\$ 550,000</u>

**NOTE 13 – SUBSEQUENT EVENTS**

The District has approved borrowing \$500,000 for fiscal year 2008 to replace the note payable as described in Note 12.



## REQUIRED SUPPLEMENTAL INFORMATION

**KINGSTON COMMUNITY SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>GENERAL FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Local sources	\$ 424,772	\$ 444,424	\$ 466,071	\$ 21,647
State sources	4,609,153	4,571,697	4,571,888	191
Federal sources	181,255	154,636	156,029	1,393
<b>TOTAL REVENUES</b>	<b>5,215,180</b>	<b>5,170,757</b>	<b>5,193,988</b>	<b>23,231</b>
<b>EXPENDITURES</b>				
Instruction	3,145,767	3,209,925	3,244,114	(34,189)
Supporting services	1,896,082	1,824,530	1,783,395	41,135
Community services	94,901	77,149	76,117	1,032
Debt service	-	469	468	1
<b>TOTAL EXPENDITURES</b>	<b>5,136,750</b>	<b>5,112,073</b>	<b>5,104,094</b>	<b>7,979</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>78,430</b>	<b>58,684</b>	<b>89,894</b>	<b>31,210</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer to other funds	(163,093)	(161,362)	(161,362)	-
Principal on bus loan	(10,318)	(10,318)	(10,318)	-
Bus loan proceeds	-	60,400	60,400	-
Sale of fixed assets	-	-	1,800	1,800
Payments from ISD	-	2,825	3,626	801
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(173,411)</b>	<b>(108,455)</b>	<b>(105,854)</b>	<b>2,601</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<b>(94,981)</b>	<b>(49,771)</b>	<b>(15,960)</b>	<b>33,811</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>750,707</b>	<b>750,707</b>	<b>750,707</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 655,726</b>	<b>\$ 700,936</b>	<b>\$ 734,747</b>	<b>\$ 33,811</b>

## ADDITIONAL INFORMATION

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
June 30, 2007

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DEBT RETIREMENT</u>	<u>2007</u>
<b><u>ASSETS</u></b>			
Cash and equivalents	\$ 40,761	\$ 78,441	\$ 119,202
Investments	172,805	308,026	480,831
Due from other governmental units	1,577		1,577
Due from other funds	2,019	-	2,019
Inventory	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 217,162</u></b>	<b><u>\$ 386,467</u></b>	<b><u>\$ 603,629</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Accounts payable	\$ 1,368		\$ 1,368
Due to other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>1,368</u></b>	<b><u>-</u></b>	<b><u>1,368</u></b>
<b><u>FUND BALANCE</u></b>			
Reserved		\$ 386,467	386,467
Unreserved	215,794	-	215,794
<b>TOTAL FUND BALANCE</b>	<b><u>215,794</u></b>	<b><u>386,467</u></b>	<b><u>602,261</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 217,162</u></b>	<b><u>\$ 386,467</u></b>	<b><u>\$ 603,629</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN NONMAJOR FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DEBT RETIREMENT</u>	<u>2007</u>
REVENUES			
Local sources	\$ 152,409	\$ 512,405	\$ 664,814
State sources	21,502	-	21,502
Federal sources	157,732		157,732
TOTAL REVENUES	<u>331,643</u>	<u>512,405</u>	<u>844,048</u>
EXPENDITURES			
Salaries and wages	162,493		162,493
Employee benefits	48,518		48,518
Dues and Fees	5,630		5,630
Food and supplies	117,569		117,569
Purchased services	25,693		25,693
Insurance	2,160		2,160
Workshop & conference	1,217		1,217
Debt Service:			
Retirement of bonds		245,000	245,000
Interest on bonded debt		260,289	260,289
Fees		741	741
Capital outlay	-		-
Miscellaneous	2,250		2,250
TOTAL EXPENDITURES	<u>365,530</u>	<u>506,030</u>	<u>871,560</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(33,887)</u>	<u>6,375</u>	<u>(27,512)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers	106,000	55,362	161,362
TOTAL OTHER FINANCING SOURCES (USES)	<u>106,000</u>	<u>55,362</u>	<u>161,362</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>72,113</u>	<u>61,737</u>	<u>133,850</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>190,863</u>	<u>324,730</u>	<u>515,593</u>
FUND BALANCE AT END OF YEAR	<u>\$ 262,976</u>	<u>\$ 386,467</u>	<u>\$ 649,443</u>

**KINGSTON COMMUNITY SCHOOLS**  
**BALANCE SHEETS**  
**GENERAL FUND**  
June 30, 2007

	<u>2007</u>
<b><u>ASSETS</u></b>	
Cash and equivalents	\$ 146,129
Investments	870,720
Due from other governmental units	<u>813,949</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,830,798</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
Accounts payable	\$ 43,282
Salaries payable	351,639
Accrued employee benefits	127,190
Accrued interest	21,921
Deferred revenue	-
State aid note payable	550,000
Due to other funds	<u>2,019</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,096,051</u></b>
 <b><u>FUND BALANCE</u></b>	
Fund balances:	
Designated for compensated absences	104,580
Undesignated and unreserved	<u>630,167</u>
<b>TOTAL FUND BALANCE</b>	<b><u>734,747</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 1,830,798</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
LOCAL SOURCES:			
Property taxes	\$ 260,788	\$ 260,797	\$ 9
Interest earnings	35,025	35,855	830
TISD Special education	16,499	16,499	-
Tuition	6,850	6,850	-
Use of property	3,680	4,080	400
Community services-tuition	60,500	62,395	1,895
Community services-donations	279	380	101
Miscellaneous	60,803	79,215	18,412
TOTAL REVENUE FROM LOCAL SOURCES	<u>444,424</u>	<u>466,071</u>	<u>21,647</u>
STATE SOURCES:			
State school aid	4,290,302	4,290,588	286
Special education	103,118	103,118	-
At risk	124,151	124,055	(96)
School readiness	46,518	46,518	-
Career prep	-	-	-
Miscellaneous	7,608	7,609	1
TOTAL REVENUE FROM STATE SOURCES	<u>4,571,697</u>	<u>4,571,888</u>	<u>191</u>
FEDERAL SOURCES:			
Title I	108,059	108,060	1
Tech prep	2,000	3,392	1,392
Title II, Part A	41,251	41,251	-
Title II, Part D	1,156	1,156	-
Drug- Free grant	1,594	1,594	-
CIMS Grant	-	-	-
Homeland Security Grant	-	-	-
Title V	576	576	-
TOTAL REVENUE FROM FEDERAL SOURCES	<u>154,636</u>	<u>156,029</u>	<u>1,393</u>
TOTAL REVENUES	<u>5,170,757</u>	<u>5,193,988</u>	<u>23,231</u>
OTHER FINANCING SOURCES:			
Bus loan proceeds	60,400	60,400	-
Sale of fixed assets	-	1,800	1,800
Payments from ISD	2,825	3,626	801
TOTAL OTHER FINANCING SOURCES	<u>63,225</u>	<u>65,826</u>	<u>2,601</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 5,233,982</u>	<u>\$ 5,259,814</u>	<u>\$ 25,832</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
ELEMENTARY			
Salaries	\$ 946,253	\$ 945,323	\$ 930
Employee benefits	477,782	477,552	230
Purchased services	7,208	5,754	1,454
Teaching supplies	50,158	83,234	(33,076)
Capital outlay	-	-	-
Miscellaneous	410	410	-
Total Elementary	<u>1,481,811</u>	<u>1,512,273</u>	<u>(30,462)</u>
HIGH SCHOOL:			
Salaries	703,998	703,544	454
Employee benefits	325,346	325,262	84
Teaching supplies	14,193	25,592	(11,399)
services	10,168	9,519	649
Capital outlay	2,039	2,039	-
Miscellaneous	4,687	4,609	78
Total High School	<u>1,060,431</u>	<u>1,070,565</u>	<u>(10,134)</u>
PRE-SCHOOL:			
Salaries	37,552	37,552	-
Employee benefits	15,565	15,758	(193)
Purchased services	457	456	1
Teaching supplies	1,225	1,170	55
Capital outlay	-	-	-
Miscellaneous	30	30	-
Total Pre-School	<u>54,829</u>	<u>54,966</u>	<u>(137)</u>
TOTAL BASIC PROGRAMS	<u>2,597,071</u>	<u>2,637,804</u>	<u>(40,733)</u>



**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
ADDED NEEDS:			
TITLE I			
Salaries	\$ 81,838	\$ 81,836	\$ 2
Employee benefits	23,701	23,929	(228)
Purchased services	1,676	1,675	1
Teaching supplies	570	570	-
Capital outlay	-	-	-
Miscellaneous	50	50	-
Total Title I	<u>107,835</u>	<u>108,060</u>	<u>(225)</u>
AT RISK EDUCATION			
Salaries	67,167	67,166	1
Employee benefits	31,997	31,156	841
Purchased services	37,947	37,947	-
Supplies	-	-	-
Capital outlay	-	-	-
Miscellaneous	408	408	-
Total At Risk Education	<u>137,519</u>	<u>136,677</u>	<u>842</u>
SPECIAL EDUCATION:			
Salaries	247,537	245,925	1,612
Employee benefits	106,477	105,858	619
Miscellaneous	35	35	-
Teaching supplies	13,034	9,338	3,696
Purchased services	417	417	-
Total Special Education	<u>367,500</u>	<u>361,573</u>	<u>5,927</u>
TOTAL ADDED NEEDS:	<u>612,854</u>	<u>606,310</u>	<u>6,544</u>
TOTAL INSTRUCTION	<u>3,209,925</u>	<u>3,244,114</u>	<u>(34,189)</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORTING SERVICES</b>			
Guidance			
Salaries	-	-	-
Employee Benefits	-	-	-
Purchased services	\$ 4,800	\$ 3,549	\$ 1,251
Teaching supplies	83	83	-
Capital outlay	-	-	-
Miscellaneous	-	-	-
<b>Total Guidance</b>	<u>4,883</u>	<u>3,632</u>	<u>1,251</u>
Crossing Guard			
Purchased services	<u>1,546</u>	<u>1,545</u>	<u>1</u>
<b>Total crossing guard</b>			
Library			
Salaries	27,630	27,628	2
Employee benefits	8,255	8,343	(88)
Purchased Services	2,200	1,986	214
Supplies	2,649	2,611	38
Capital outlay	-	-	-
Miscellaneous	<u>2,970</u>	<u>2,968</u>	<u>2</u>
<b>Total library</b>	<u>43,704</u>	<u>43,536</u>	<u>168</u>
Improvement Of Instruction			
Purchased services	<u>4,452</u>	<u>4,472</u>	<u>(20)</u>
<b>Total improvement of instruction</b>	<u>4,452</u>	<u>4,472</u>	<u>(20)</u>
Tech Prep			
Purchased services	<u>600</u>	<u>600</u>	<u>-</u>
<b>Total tech prep</b>	<u>600</u>	<u>600</u>	<u>-</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES: (CONTINUED)			
General administration			
Board of Education	\$ 4,000	\$ 2,760	\$ 1,240
Election	2,200	979	1,221
Professional fees	11,500	10,626	874
Superintendent salary	52,581	52,581	-
Other salaries	58,895	58,895	-
Purchased services	77,248	74,780	2,468
Supplies	936	935	1
Employee benefits	47,324	46,740	584
Capital outlay	-	-	-
Miscellaneous	9,107	9,109	(2)
Total general administration	<u>263,791</u>	<u>257,405</u>	<u>6,386</u>
School administration			
Salaries	236,250	233,947	2,303
Employee benefits	143,701	141,122	2,579
Purchased services	25,065	21,002	4,063
Office supplies	2,723	2,650	73
Capital outlay	-	-	-
Miscellaneous	570	570	-
Other school administration	751	750	1
Total school administration	<u>409,060</u>	<u>400,041</u>	<u>9,019</u>
Fiscal Service			
Salaries	38,173	38,173	-
Employee benefits	29,196	30,088	(892)
Purchased services	2,065	1,947	118
Supplies	950	894	56
Capital outlay	-	-	-
Miscellaneous	-	-	-
Total fiscal service	<u>70,384</u>	<u>71,102</u>	<u>(718)</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES: (CONTINUED)			
Other Business Service			
Taxes abated	-	-	-
Building and property insurance	\$ 12,387	\$ 12,387	-
Interest expense	22,587	21,906	\$ 681
Total other business service	34,974	34,293	681
Technology			
Salaries	29,495	29,673	(178)
Employee benefits	8,561	8,212	349
Purchased services	26,806	25,771	1,035
Supplies	9,635	9,251	384
Capital outlay	5,115	5,115	-
Miscellaneous	100	100	-
Total technology	79,712	78,122	1,590
Operation and maintenance of plant			
Salaries	174,466	174,003	463
Employee benefits	128,296	124,475	3,821
Purchased services	39,809	39,362	447
Miscellaneous	575	575	-
Electricity	106,055	99,398	6,657
Repairs and maintenance	34,500	35,446	(946)
Custodial supplies	34,800	30,498	4,302
Heat	81,065	78,983	2,082
Sewer	16,536	16,517	19
Security	-	-	-
Capital outlay	1,721	1,721	-
Total operation and maintenance of plant	617,823	600,978	16,845
Pupil transportation			
Salaries	104,303	104,301	2
Employee benefits	27,991	27,977	14
Purchased services	42,971	41,496	1,475
Supplies	55,600	51,228	4,372
Capital outlay	61,574	61,574	-
Miscellaneous	1,162	1,093	69
Total pupil transportation	293,601	287,669	5,932
TOTAL SUPPORTING SERVICES	1,824,530	1,783,395	41,135

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
Drivers Education			
Salaries	\$ 5,800	\$ 5,796	\$ 4
Benefits	444	443	1
Purchased service	-	-	-
Supplies	225	70	155
Miscellaneous	100	68	32
Total Drivers Education	<u>6,569</u>	<u>6,377</u>	<u>192</u>
Cardinal Center			
Salaries	54,447	53,879	568
Supplies	2,100	2,061	39
Workshop & Conferences	15	14	1
Purchased Services	-	-	-
Dues and fees	750	664	86
Employee benefits	13,268	13,122	146
Total Cardinal Center	<u>70,580</u>	<u>69,740</u>	<u>840</u>
CIMS Community Activity	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMMUNITY SERVICES	<u>77,149</u>	<u>76,117</u>	<u>1,032</u>
DEBT SERVICE:			
Interest			
Bus contracts	469	468	1
Total interest	<u>469</u>	<u>468</u>	<u>1</u>
TOTAL DEBT SERVICE	<u>469</u>	<u>468</u>	<u>1</u>
TOTAL EXPENDITURES	5,112,073	5,104,094	7,979
OTHER FINANCING USES			
Principal on bus loan	10,318	10,318	-
Transfer to Other Funds	161,362	161,362	-
TOTAL OTHER FINANCING USES	<u>171,680</u>	<u>171,680</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,283,753</u>	<u>\$ 5,275,774</u>	<u>\$ 7,979</u>

**KINGSTON COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2007

	<u>FOOD SERVICES</u>	<u>PUBLIC LIBRARY FUND</u>	<u>ATHLETIC ACTIVITIES</u>	<u>WOLOSHEN</u>	<u>TOTAL 2007</u>
<b><u>ASSETS</u></b>					
Cash and equivalents	\$ 18,805	\$ 17,334	\$ 4,622	-	\$ 40,761
Investments	38,857	-	-	\$ 133,948	172,805
Due from other governmental units	-	1,577	-	-	1,577
Due from other funds	2,019	-	-	-	2,019
Inventory	-	-	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 59,681</u></b>	<b><u>\$ 18,911</u></b>	<b><u>\$ 4,622</u></b>	<b><u>\$ 133,948</u></b>	<b><u>\$ 217,162</u></b>
 <b><u>LIABILITIES &amp; FUND EQUITY</u></b>					
LIABILITIES:					
Accounts payable	\$ 432	\$ 517	\$ 419	-	\$ 1,368
Deferred revenue	-	-	-	-	-
<b><u>TOTAL LIABILITIES</u></b>	<b><u>432</u></b>	<b><u>517</u></b>	<b><u>419</u></b>	<b><u>-</u></b>	<b><u>1,368</u></b>
 FUND BALANCE:					
Fund Balance	59,249	18,394	4,203	\$ 133,948	215,794
<b><u>TOTAL FUND BALANCE</u></b>	<b><u>59,249</u></b>	<b><u>18,394</u></b>	<b><u>4,203</u></b>	<b><u>133,948</u></b>	<b><u>215,794</u></b>
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 59,681</u></b>	<b><u>\$ 18,911</u></b>	<b><u>\$ 4,622</u></b>	<b><u>\$ 133,948</u></b>	<b><u>\$ 217,162</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>FOOD SERVICES</u>	<u>PUBLIC LIBRARY FUND</u>	<u>ATHLETIC ACTIVITIES</u>	<u>WOLOSHEN</u>	<u>TOTAL 2007</u>
REVENUES:					
Local sources	\$ 85,508	\$ 33,001	\$ 27,139	\$ 6,761	\$ 152,409
State sources	18,348	3,154			21,502
Federal sources	157,732	-			157,732
TOTAL REVENUES	<u>261,588</u>	<u>36,155</u>	<u>27,139</u>	<u>6,761</u>	<u>331,643</u>
EXPENDITURES:					
Salaries and wages	84,614	7,588	70,291		162,493
Employee benefits	27,847	1,536	19,135		48,518
Purchased services	7,546	1,285	16,842	20	25,693
Food	117,569				117,569
Supplies	-	13,648	16,543	16,991	47,182
Insurance	-	-	2,160		2,160
Dues and Fees	1,922	1,638	2,070		5,630
Workshop & conferences	138	483	596		1,217
Capital outlay	-	-	-		-
Miscellaneous	576	324	1,350		2,250
TOTAL EXPENDITURES	<u>240,212</u>	<u>26,502</u>	<u>128,987</u>	<u>17,011</u>	<u>412,712</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>21,376</u>	<u>9,653</u>	<u>(101,848)</u>	<u>(10,250)</u>	<u>(81,069)</u>
OTHER FINANCING SOURCES (USES):					
Fund transfers in			106,000		106,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>21,376</u>	<u>9,653</u>	<u>4,152</u>	<u>(10,250)</u>	<u>24,931</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>37,873</u>	<u>8,741</u>	<u>51</u>	<u>144,198</u>	<u>190,863</u>
FUND BALANCE AT END OF YEAR	<u>\$ 59,249</u>	<u>\$ 18,394</u>	<u>\$ 4,203</u>	<u>\$ 133,948</u>	<u>\$ 215,794</u>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING DEBT RETIREMENT FUNDS**  
**BALANCE SHEET**  
June 30, 2007

	<u>2002 R DEBT</u>	<u>2002 E DEBT</u>	<u>QZAB DEBT</u>	<u>2005 DEBT</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>					
Cash and equivalents	\$ 14,015	\$ 39,276		\$ 25,150	\$ 78,441
Investments	4,273	57,376	\$ 232,076	14,301	308,026
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 18,288</u></b>	<b><u>\$ 96,652</u></b>	<b><u>\$ 232,076</u></b>	<b><u>\$ 39,451</u></b>	<b><u>\$ 386,467</u></b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>					
LIABILITIES:					
Due to other funds	-	-	-	-	-
FUND BALANCE:					
Fund balance	<u>\$ 18,288</u>	<u>\$ 96,652</u>	<u>\$ 232,076</u>	<u>\$ 39,451</u>	<u>\$ 386,467</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 18,288</u></b>	<b><u>\$ 96,652</u></b>	<b><u>\$ 232,076</u></b>	<b><u>\$ 39,451</u></b>	<b><u>\$ 386,467</u></b>



**KINGSTON COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2007**

	<u>2002 E</u> <u>DEBT</u>	<u>2002 R</u> <u>DEBT</u>	<u>QZAB</u> <u>DEBT</u>	<u>2005</u> <u>DEBT</u>	<u>TOTAL</u>
REVENUES:					
Local Sources:					
Property Taxes	\$ 247,535	\$ 87,950		\$ 158,604	\$ 494,089
Interest Income	4,257	1,111	\$ 10,628	2,320	18,316
Miscellaneous				-	-
State Sources	-	-	-		-
TOTAL REVENUES	<u>251,792</u>	<u>89,061</u>	<u>10,628</u>	<u>160,924</u>	<u>512,405</u>
EXPENDITURES:					
Retirement of bonds	80,000	60,000		105,000	245,000
Interest on bonded debt	167,013	27,593		65,683	260,289
Fees	250	250		241	741
TOTAL EXPENDITURES	<u>247,263</u>	<u>87,843</u>	<u>-</u>	<u>170,924</u>	<u>506,030</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,529</u>	<u>1,218</u>	<u>10,628</u>	<u>(10,000)</u>	<u>6,375</u>
OTHER FINANCING SOURCES (USES):					
Transfer from other funds			55,362	-	55,362
Transfer to other funds				-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>55,362</u>	<u>-</u>	<u>55,362</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>4,529</u>	<u>1,218</u>	<u>65,990</u>	<u>(10,000)</u>	<u>61,737</u>
FUND BALANCES:					
Beginning of Year	<u>92,123</u>	<u>17,070</u>	<u>166,086</u>	<u>49,451</u>	<u>324,730</u>
End of Year	<u>\$ 96,652</u>	<u>\$ 18,288</u>	<u>\$ 232,076</u>	<u>\$ 39,451</u>	<u>\$ 386,467</u>

**KINGSTON COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BALANCE AT</u> <u>6/30/2006</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2007</u>
GENERAL FUND ACTIVITIES	<u>\$ 8,689</u>	<u>\$ 21,852</u>	<u>\$ 24,880</u>	<u>\$ 5,661</u>
STUDENT ACTIVITIES	<u>\$ 57,785</u>	<u>\$ 125,438</u>	<u>\$ 130,243</u>	<u>\$ 52,980</u>

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT -2002 ISSUE**  
June 30, 2007

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
	4.00		\$ 12,597		\$ 12,597
\$ 55,000	4.00	\$ 12,597	11,496	2008	79,093
50,000	4.10	11,496	10,471	2009	71,967
40,000	4.20	10,471	9,631	2010	60,102
45,000	4.30	9,631	8,664	2011	63,295
50,000	4.40	8,664	7,564	2012	66,228
50,000	4.55	7,564	6,426	2013	63,990
50,000	4.55	6,426	5,264	2014	61,690
45,000	4.75	5,263	4,195	2015	54,458
55,000	4.85	4,195	2,862	2016	62,057
55,000	4.95	2,862	1,500	2017	59,362
60,000	5.00	1,500		2018	61,500
<u>\$ 555,000</u>		<u>\$ 80,669</u>	<u>\$ 80,670</u>		<u>\$ 716,339</u>

The total amount of original issue was \$900,000.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 2002E ISSUE**  
June 30, 2007

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
			\$ 82,206		\$ 82,206
\$ 95,000	3.50	\$ 82,206	80,544	2008	257,750
95,000	3.63	80,544	78,822	2009	254,366
100,000	3.63	78,822	77,010	2010	255,832
105,000	3.63	77,010	75,106	2011	257,116
110,000	3.80	75,106	73,016	2012	258,122
120,000	4.00	73,016	70,616	2013	263,632
125,000	4.00	70,616	68,116	2014	263,732
135,000	4.10	68,116	65,349	2015	268,465
140,000	4.40	65,349	62,269	2016	267,618
150,000	4.40	62,269	58,967	2017	271,236
165,000	4.40	58,967	55,339	2018	279,306
190,000	4.40	55,339	51,159	2019	296,498
200,000	4.55	51,159	46,609	2020	297,768
210,000	4.65	46,609	41,726	2021	298,335
220,000	4.70	41,726	36,556	2022	298,282
230,000	4.75	36,556	31,094	2023	297,650
240,000	4.75	31,094	25,394	2024	296,488
250,000	4.75	25,394	19,456	2025	294,850
260,000	4.80	19,456	13,216	2026	292,672
270,000	4.85	13,216	6,669	2027	289,885
275,000	4.85	6,669		2028	281,669
<u>\$ 3,685,000</u>		<u>\$ 1,119,239</u>	<u>\$ 1,119,239</u>		<u>\$ 5,923,478</u>

Bonds in the amount of \$3,940,000 were issued for the purpose of erecting, furnishing and equipping additions to Kingston Elementary School.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF QUALIFIED ZONE ACADEMY BONDS**  
June 30, 2007

The original amount borrowed during the year ended June 30, 2003 was \$944,638.

<u>MATURITY DATE</u>	<u>PRINCIPAL</u>
2007	\$ 55,362
2008	55,362
2009	55,362
2010	55,362
2011	55,362
2012	55,362
2013	55,362
2014	55,362
2015	55,362
2016	55,362
2017	55,362
	<u>\$ 608,982</u>

Qualified zone academy bonds - 15 annual payments of \$55,362 from November 1, 2003 through 2017 will be paid into a bank escrow account with the entire principal amount due November 1, 2017.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 2005 REFUNDING BONDS**  
June 30, 2007

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
			\$ 31,266		
\$ 115,000	3.00	\$ 31,266	29,541	2008	\$ 177,532
130,000	3.00	29,541	27,591	2009	189,082
145,000	3.25	27,591	25,235	2010	200,182
150,000	4.00	25,235	22,235	2011	200,470
150,000	4.00	22,235	19,235	2012	194,470
155,000	4.00	19,235	16,135	2013	193,470
165,000	4.00	16,135	12,835	2014	197,270
170,000	3.65	12,835	9,733	2015	195,670
170,000	3.65	9,733	6,630	2016	189,466
170,000	3.90	6,630	3,315	2017	183,260
170,000	3.90	3,315		2018	176,630
<u>\$ 1,690,000</u>		<u>\$ 203,751</u>	<u>\$ 203,751</u>		<u>\$ 2,097,502</u>

Bonds in the amount of \$1,820,000 were issued for the purpose of refinancing the 1996 bonds.



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

July 25, 2007

Board of Education  
Kingston Community Schools  
Kingston, Michigan 48741

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the District's primary government and have issued our report thereon dated July 25, 2007. Our opinion is for the primary government only and not for the primary reporting entity. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Kingston Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we considered to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement in the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiencies described as 2007-1 in the accompanying schedule of findings and responses to be significant in internal control over financial reporting.

Board of Education  
Kingston Community Schools  
August 16, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above as 2007-1 are material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kingston Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Kingston Community Schools in a separate letter dated August 16, 2007.

Kingston Community Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Kingston Community Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



To the Board of Education  
Kingston Community School  
Kingston, MI 48741

### **Schedule of Findings and Responses**

#### **Finding 2007-1**

Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Kingston Community Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Cause:

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Client Response:

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

July 25, 2007

Kingston Community Schools  
To the Board of Education:

In planning and performing our audit of the financial statements of Kingston Community Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Kingston Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency does not constitute a material weakness:

## **Compliance with Board Policies**

We found that the policies established by the Board for Athletic and Agency Fund events and fund-raising revenues have not always been followed. The person in charge of ticket sales for a specified athletic event is not always signing the summary internal control worksheets for that event. That is a key internal control procedure. In addition, the policies for documenting sales and receipts for fund-raising and other agency fund activities involving collection, recording and depositing of cash need to be reviewed, changed as needed, and enforced. We recommend that the example of policies and procedures and sample forms contained on the MSBO website be used as a basis to revise the School District's policies and forms and that the Board stress to all employees the importance of following Board policies to safe the District's assets.

Kingston Community Schools  
Page 2

This communication is intended solely for the information and use of management, Kingston Community Schools, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt & Doran, P.C.  
Certified Public Accountants